

Message Text

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ACTION NEA-06

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 6654

INFO AMEMBASSY ABU DHABI

AMEMBASSY LONDON

SECDEF WASHDC

USCINCEUR VAIHINGEN GERMANY

JCS WASHDC

S E C R E T KUWAIT 1630

LIMDIS

SECDEF FOR ISA

AUB DHABI FOR AMBASSADOR STOLTZFUS

E. O. 11652: GDS

TAGS: MASS KU

SUBJECT: MILITARY SALES: GOK ARMS PROCUREMENT

SUMMARY: CONVERSATION WITH KHALID KHALAF, MOD' S CHIEF
PROCUREMENT SPECIALIST, REVEALED GOK WILL DEFINITELY
SEEK CREDIT TERMS FOR PURCHASE OF U. S. ARMS. KHALAF
INDICATED OFFICIALS HAVE STUDIED F-8 SALES CASE
(DD 1513) AND HAVE SEVERAL SPECIFIC QUESTIONS THEY
WOULD LIKE ANSWERED. GOK, HE SAID, CANNOT MAKE FIRM
SIGNATURE COMMITMENT TO USG UNTIL CLEARANCES RECEIVED
FROM COUNCIL OF MINISTERS, NATIONAL ASSEMBLY, AND
OTHER CONCERNED MINISTRIES. KUWAITIS GIVING SERIOUS
CONSIDERATION TO OPENING OF WASHINGTON OFFICE TO
HANDLE EXPECTED LARGE FLOW OF U. S. EQUIPMENT. END
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SUMMARY.

1. KHALAF IS GOVERNMENT' S CHIEF MILITARY PROCUREMENT SPECIALIST AND HE HEADS KUWAIT MILITARY AFFAIRS OFFICE IN LONDON (KMAO). HE IS PRESENTLY IN KUWAIT PARTICIPATING IN NEGOTIATIONS ON PROPOSED U. S.

ARMS PACKAGE. DURING CONVERSATION WITH EMBOFF AT PRIVATE DINNER PARTY, KHALAF TOUCHED ON FOLLOWING POINTS RE GOK MILITARY PROCUREMENT:

2. FINANCING - IN RESPONSE TO QUESTION ABOUT HOW GOK WOULD PAY FOR ALL OF ITEMS WHICH THEY HAVE REQUESTED FROM U. S., KHALAF INDICATED THAT GOVERNMENT WOULD SEEK CREDIT TERMS. THIS, HE SAID, WOULD BE NECESSARY IN VIEW OF LARGE SIZE OF PACKAGE WHICH HE INDICATED WAS ROUGHLY IN THE NEIGHBORHOOD OF KD 160 MILLION (1 KD EQUALS \$3.37). MOST OF BRITISH EQUIPMENT PURCHASED BY GOK HAD BEEN FINANCED BY TIME PAYMENTS. AS RULE, MOD PREFERRED TO PAY CERTAIN PERCENTAGE AT TIME OF SIGNING CONTRACT -- ABOUT TWENTY FIVE PERCENT -- AND THEN PAY THE REAMINDER IN INSTALLMENTS COMMENCING WITH THE FIRST DELIVERY OF EQUIPMENT. FYI WE UNDERSTAND PARLIAMENTARY FINANCE COMMITTEE APPROVED 7- YEAR PACKAGE END FYI.

3. FMS PROCUREMENT - KHALAF INDICATED THAT HE AND OTHERS AT MINISTRY HAD EXAMINED SALES CASE FOR F-8 AIRCRAFT AND HAD READ CAREFULLY LANGUAGE CONTAINED ON DD 1513 FORM. SEVERAL QUESTIONS HAD TURNED UP ON SUCH THINGS AS ARMAMENTS, AVIONICS, TRAINING (PILOTS) AND SUPPORT SYSTEMS. THE KUWAITIS WANTED TO BE SURE OF EXACTLY WHAT THEY WERE GETTING BEFORE COMMITTING THEIR SIGNATURE. WHEN INFORMED THAT REQUEST HAD BEEN MADE FOR SPECIAL TEAM TO COME OUT AND FINALIZE THE AIRCRAFT DEAL, KHALAF AGREED THAT IT WAS BETTER SEND INDIVIDUAL TEAM TO FOCUS ON SPECIFIC ITEMS INSTEAD OF TRYING TO NEGOTIATE ENTIRE ARMS PACKAGE. IN PERSONAL ASIDE, KHALAF SAID THAT U. S. REPS SHOULD NOT MAKE MISTAKE OF DEALING WITH KUWAIT AS AID RECIPIENT WHICH HAS TERMS DICTATED BY AID DONOR. KUWAIT, HE SAID, WANTED TO HAVE AN INPUT IN DISCUSSIONS REGARDING
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CREDIT TERMS.

4. POLITICAL CONSTRAINTS: KHALAF MENTIONED GOK HAD TO STEER THIS DECISION THROUGH PROPER CHANNELS BEFORE ANY FINAL DECISION BY MOD COULD BE MADE. HE INDICATED THAT SALES PACKAGE WOULD HAVE TO BE REVIEWED BY PLANNING BOARD, MINISTRY OF FINANCE AND OIL, CABINET,

AND NATIONAL ASSEMBLY. ALTHOUGH HE ANTICIPATED NO PROBLEMS, KHALAF STRESSED POINT THAT GOK COULD NOT GIVE ANY WRITTEN APPROVAL TO USG BEFORE KUWAITIS HAD RECEIVED CLEARANCE FROM ALL INTERESTED PARTIES. KHALAF SAID HE COULD UNDERSTAND OUR CONCERN ABOUT TEAM COMING BACK EMPTY HANDED WITHOUT ANYTHING TANGIBLE TO SHOW FOR OUR EFFORTS. HE ASSURED ME THAT BASIC DECISIONS HAD BEEN MADE TO GO AMERICAN AND THAT FINAL SIGNATURE WAS MATTER OF TIME.

5. ADVISORY GROUPS - ASKED IF GOK HAS GIVEN ANY THOUGHT TO SETTING UP U. S. OFFICE TO HANDLE THE ANTICIPATED LARGE FLOW OF MATERIAL AND SUPPLIES, KHALAF SAID THAT SOME CONSIDERATION HAD BEEN GIVEN TO OPENING WASHINGTON OFFICE. NOTHING TANGIBLE HAD BEEN DECIDED. FYI IN SEPARATE CONVERSATION WITH OTHER EMBOFF, AIR FORCE COMMANDER MARZOOK AJEEL INDICATED GOK WOULD ALMOST DEFINITELY HAVE TO OPEN OFFICE IN WASHINGTON, END FYI. KHALAF ALSO AGREED THAT U. S. WOULD HAVE TO SET UP SMALL ADVISORY MISSION IN KUWAIT. HE EMPHASIZED POINT THAT IT WAS IMPORTANT NOT TO RUSH AHEAD BUT RATHER MAKE SURE BOTH SIDES AGREED ON SCOPE OF PROGRAM BEFORE MAKING PHYSICAL ARRANGEMENTS FOR ADVISORS.

6. COMMENT: KHALID KHALAF HAS BEEN AT THE LONDON OFFICE SINCE 1965 AND HAS PARTICIPATED IN MAJOR ARMS DEALS BETWEEN KUWAIT- UK. HE WAS ALSO INVOLVED IN LOCKHEED SALE OF C-130' S TO KUWAIT AIR FORCE.
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